

# Welcome to our Spring Newsletter

**We are pleased to advise that the positive trend that we discussed in our last newsletter with regards to the economic outlook has continued. With this in mind, we feature another market update article which includes some commentary from leading economists on recent results and their future expectations.**

More good news is that we are all living longer! Thanks to modern medicine, technology and healthy lifestyles many of us can expect to live longer than our parents and grandparents. One of the factors we must consider with longer life expectancy is can we afford our longer life expectancy. We include an article which discusses the various life stages and how financial considerations change as we move through each life stage.

Self Managed Super Funds (SMSFs) are the fastest growing segment of Australia's Superannuation. We therefore thought it was relevant to give you some information on considerations for starting an SMSF and the potential benefits

and things that you must be aware of.

This edition of our newsletter also includes a first for us. We have interviewed one of our clients, Ken, who has very kindly shared his story of the last few years. Ken explains why insurance is so important and how it has helped him, his family and his business survive an unexpected and traumatic ordeal.

Finally, we feature a small snapshot on interest rates and what to do if you are concerned about how potential rate increases may affect you.

Please contact the office for any further information on the topics included in this newsletter, or to discuss your own financial situation.

Kind regards,

**Tony Borg and Harry Moustakas**  
Principals  
Navigate Financial Group



## Market Update – Where are we headed?

**In our last newsletter we featured an article on market volatility and how to make the most of market fluctuations. We are very pleased to advise that since writing that piece the upward trend of the global share markets has continued. More importantly, as we enter the last quarter of 2009, we are experiencing a definite positive shift in economic outlook. Apart from media articles, economists commentary and stock market reports we are also finding that many people we talk to are feeling much more positive about what lies ahead. We all know that this is extremely important and that positive attitudes and actions have a significant impact on market recovery.**

Public companies with a June 30 end of financial year have been announcing their results recently. With most

company results now in, the reporting season has been better than many analysts and market commentators were expecting. This has been due to a combination of aggressive cost cutting in response to the global financial crisis (GFC) and better than anticipated revenue streams.

David Cassidy, Equity Strategist at UBS says actual earnings per share have outperformed forecasts being an average of 2% above the reduction in earning per share percentage expected. Given the market volatility of recent months this is significant. These results also suggest profits may have entered a recovery phase.

The Australian profit reporting season has been following the lead of US and European data releases. But our strong market performance also reflects the

resilience of the Australian economy during the GFC. In part it is due to strong consumer spending, with Australian consumers not impacted anywhere near as much by factors such as

*Continued  
overleaf...*

## Inside INFO



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- > Interest rates - where to next?
- > Are you protecting your family?

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unemployment and falling house prices as their US counterparts.

Paul Brennan, Head of Economic and Market Analysis at Citi says the Australian economy continues to perform ahead of expectations. He acknowledged that temporary government stimulus measures and handouts are part of the story but the gap between performance and forecasts is big enough to suggest that a 'self feeding' recovery is developing.

Improvements in market sentiment are being seen globally where the various Governments' stimulus measures are gaining traction – even in economies where the banking system remains weak such as the US and UK. In fact Ben Bernanke (chairman of the US central bank) recently acknowledged that the US economy is now out of danger and on the path to recovery.

Even though economic recovery seems assured, it is likely to be quite slow,

particularly in the US and Europe.

If you would like to discuss your individual situation, the current market conditions or the opportunity of looking at some new investment for your financial portfolio please contact the office to arrange an appointment.

Article compiled by Jenny Drennan - YMD

Sources:  
UBS Australian Reporting Season Analysis 28/8/09  
CITI Australia and New Zealand Economic Weekly 28/8/09

## Is a Self-Managed Superannuation Fund (SMSF) for you?

**Self managed superannuation funds (SMSF) are now the largest and fastest growing segment of superannuation in Australia. SMSFs manage \$348 billion in assets across more than 403,000 SMSF entities. This is 31% of the Australian superannuation funds under management. (source: Self Managed Superannuation Professionals Association of Australia (SPAA) 08/09). In recognition of the prominence of SMSFs the government has recently appointed an SMSF specialist from SPAA to the Cooper Review. This committee has been charged with examining and analysing the governance, efficiency, structure and operation of Australia's superannuation system.**

Establishing your own SMSF can have its advantages but it is not for everyone. The fund needs to be sufficiently large to justify the establishment and ongoing administrative costs. As a rule of thumb, it is probably only worthwhile for funds with at least \$250,000 in assets.

Having your own super fund gives you greater control over your investments – and a wider choice of assets in which to invest. A self managed superannuation fund is a long term commitment as the sole purpose for a SMSF is to provide for your retirement.

All SMSFs must have trustees and in turn all members of the fund must be appointed trustees. Although you can appoint other people to help you provide services to your fund (for

example your financial planner, accountant, super fund administrator or tax agent) the ultimate responsibility and accountability for running your fund lies with you.

As a trustee you are legally responsible for the actions of the fund. These responsibilities include filing an annual tax return and appointing an approved auditor to complete the annual audit.

Harry Moustakas and Tony Borg are both members of SPAA and have their SMSF accreditation. If you are considering establishing a SMSF it is best to get good advice before you embark along this path. The specialists at Navigate Financial Group can help you.

There are a number of rules that you need to follow as a trustee of a SMSF. If you don't follow the rules, you risk the fund being declared non compliant and losing tax concessions. For serious breaches a trustee could be disqualified, prosecuted, fined or even face criminal penalties.

If you are considering starting a self managed superannuation fund the specialists at Navigate Financial Group can assist you with advice about:

- suitability of an SMSF for your circumstances
- procedure involved in establishing a fund
- guidance on the superannuation investment rules
- development of an investment strategy
- insurance recommendations for members
- superannuation rollovers from other funds
- In specie contributions
- fund compliance requirements
- ongoing reviews and advice

Should you be contemplating setting up an SMSF or just wish to review your current superannuation arrangements please give Navigate Financial Group a call and check out how we can help you with your retirement plans.

Article compiled by Jenny Drennan - YMD & Bill Fentoullis - Navigate



# Where are you on the map?

And more importantly do you know where you are headed?

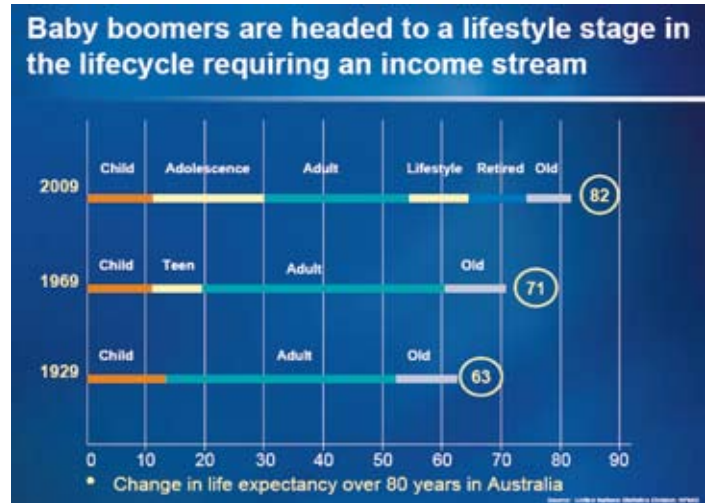
**At Navigate we understand that financial goals and priorities will differ depending on your life stage. Our job is to work with you to reach your current and long-term goals by tailoring advice to the appropriate stage of your life. In doing so we are always looking ahead to the next life stage to plan for your future years.**

The graph to the right shows the increase in life expectancy in Australia over the last 80 years. This of course also affects life stages and financial commitments as people need to be able to support themselves and their lifestyles for a longer period than ever before.

Our team of experienced advisors can help guide you through each life stage and ensure that you are on track to meet your long-term financial goals. In doing so, we also understand the various pressures associated with each of the stages below and can vary your financial plan to not only achieve your goals but ensure you are comfortable through each life stage.

If you would like to discuss where you are on the map, how to get to your destination, and most importantly which road will take you there, please contact the office to arrange an appointment.

Article compiled by Amy Cameron - YMD  
Source: KPMG Presentation - United Nations Statistics Division



Life Stage	Circumstance	How we can help?
<b>Young &amp; Single</b>	First job and first solid income.	Debt Management - credit cards, budgeting, income protection, paying rent, saving for home deposit, first investments.
<b>Relationship</b>	In a serious relationship, greater career demands and prospects, first home mortgage	Debt Management, budgeting, renovations, investment strategies, income protection, lifestyle expenses
<b>Young Family</b>	Young children, single or reduced income.	Superannuation strategies, children's education, debt management, investment strategies, government allowances, lifestyle expenses, family expenses, estate planning, wealth protection, retirement goals.
<b>Empty Nest</b>	Possible peak of career earnings, reduced debt, more lifestyle opportunities, adult children to support	Wealth creation, maximising superannuation, investment strategies, more flexible pre-retirement lifestyle, estate planning, transition to retirement.
<b>Retired</b>	Retired, downsized home, less commitment, more lifestyle opportunities	Superannuation and pensions, managing income, lifestyle expenses, medical expenses, estate planning, care and living expenses, government support

## Interest Rates - Where to Next?

**Although no-one really knows what lies ahead, as we mentioned in our Market Update article, things are looking up in terms of economic outlook. As a consequence of a recovery we will most certainly see some increases in interest rates.**

Most economists expect a gradual series of interest rate increases beginning in late 2009 or early 2010 as growth momentum builds.

If you would like to discuss how any increases in current interest

rates may affect your home loan, investment or personal loans, credit cards or any other debts then please talk to your adviser who can arrange an appointment for you with our Debt Specialist, Marc Ruhoff. Marc can look at your current debts and assess whether you can consolidate them or refinance to make them more affordable long term.



Mark Ruhoff

Article compiled by Jenny Drennan - YMD

# Are you protecting your family?

**Ken is a 56 year old small business owner. He is married and with two adult children. His cabinet making business on Sydney's northern beaches employs four staff. Good health is important to Ken so as part of his regular health regime Ken visits his GP for an annual health check. In mid-2008 Ken made his appointment for his annual check up a few weeks before he was to leave for an overseas holiday.**

During his check-up, Ken mentioned to his GP he had been experiencing some shortness of breath when walking upstairs. He was not really concerned but lucky for Ken his doctor was diligent and arranged for him to have a stress test and angiogram. Ken was diagnosed with three restricted arteries in his heart. He needed a triple bypass operation and there was no time to lose.

Ken met Harry Moustaka 18 years ago and is a long standing client of Navigate for his investment and insurance needs. 'Whilst I knew that this relationship was important, until my illness, I had never realised how important it was to have an adviser who really understood my needs, my business and my family.'

About a year before his health issues were diagnosed Ken contacted Harry at Navigate to discuss increasing his level of income protection cover. This type of insurance is calculated on your level of income. Ken did not pay himself a large salary so increasing his cover was not an option. Instead Harry suggested he consider trauma insurance.

Trauma insurance (sometimes referred to as Critical Illness cover) is a relatively new product specifically introduced because of major medical advances in treatment which have resulted in substantial increases in survival rates after a serious medical condition such as a heart attack or cancer.

Trauma insurance offers protection by providing a lump sum payment in the event you are diagnosed with one of a range of medical conditions. When it was diagnosed Ken needed triple bypass surgery he was able to claim on his trauma insurance cover and was paid a lump sum of money.



This lump sum payment allowed him to employ a manager to run the cabinet making business on a day to day basis whilst he was recuperating. The alternative would have been laying off staff. The trauma payment helped him meet mortgage and rent payments, wages to staff and other business expenses. Without the trauma insurance money Ken is not sure his business would have survived.

During his time off work Ken also received a regular payment from his income protection cover. This regular income stream provided so much peace of mind.

A year on and many medical examinations later Ken believes his health is good. His business is also slowly improving and as for his quality of life – 'I have just returned from the trip that I had to postpone last year to the UK and Ireland and I am feeling great.'

Many Australians have life insurance but this is only triggered in the event of death. It is also important to take a moment to think what would happen if you or a loved one became ill or was unable to earn an income for a period of time. The team at Navigate Financial Group know insurance and can discuss the type of cover most suited to your circumstances. Call Navigate today for a no obligation review of your insurance needs.

*Interview conducted and article written by Jenny Drennan - YMD*



guidance



education



independence



**n a v i g a t e**  
financial group

T +61 2 8028 2600  
F +61 2 8028 2611  
E [service@navgroup.com.au](mailto:service@navgroup.com.au)  
DX Manly 9230

Sydney CBD: Level 6, 23 Hunter Street (Cnr Pitt St), NSW 2000  
Brighton-Le-Sands: Level 5, 376 Bay Street, NSW 2216  
Manly: Level 5, 39 East Esplanade, NSW 2095

[www.navgroup.com.au](http://www.navgroup.com.au)

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